Hartalega Holdings (HART MK)

4QFY26: Soft Reset

Highlights

- Harta's 4QFY26 earnings declined as a marginal volume sales growth and lower costs were largely offset by weakening MYR/USD rate and flattish ASP.
- The group may see short-term margin tailwinds from the recent ASP hike cycle, helping to mitigate higher raw material prices amid the ongoing Middle East conflict, but swift normalisation is expected given the industry's current oversupply dynamics.
- Structurally, intensifying China competition and oversupply dynamics continue to impact earnings. Maintain HOLD with a higher target price of RM1.02.

HOLD (Maintained)

Share Price	RM1.18
Target Price	RM1.02
Upside	-13.6%
Previous TP	RM0.92

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4QFY26 Results

Year to 31 Mar (RMm)	4QFY26	qoq % chg	yoy % chg	Comments
Revenue	515.4	-2.2	-15.7	Down qoq as higher volume sales (+3%) offset by MYR/USD rate (-5%) and ASP (-0.2%)
Operating exp.	-481.5	-1.9	-20.0	Lower opex after workforce reduction
EBITDA	91.3	29.6	55.8	Improved qoq vs RM71m in 3QFY26
EBIT	50.2	72.2	182.1	
Finance costs	0.1	-141.6	-165.1	
PBT	50.3	74.0	185.0	
Taxation	-10.3	232.0	238.8	
Core net profit	22.1	-41.7	-508.7	Weaker earnings, below expectations
		qoq ppt chg	yoy ppt chg	
EBITDA margin (%)	17.7	4.4	8.1	
Eff. tax rate (%)	-20.5	-9.7	-3.2	
Core Net Margin (%)	4.3	-2.9	5.2	Margin contracted qoq on weaker forex

Source: Hartalega Holdings, UOB Kay Hian

Analysis

- **Below expectations.** Hartalega Holdings (Harta) registered a 4QFY26 core net profit of RM22m (3QFY26: RM38m), after stripping out exceptional items. FY26 earnings accounted for only 94% of our and consensus full-year estimates respectively. A first interim dividend of 1.8 sen was declared.
- **Weaker qoq revenue reflects modest volume sales growth which was dragged by softening MYR/USD rate and ASP.** Note that Harta's revenue decreased 16% yoy and 2% qoq in 4QFY26, despite higher volume sales (+3% qoq). This was mainly due to the weakening US dollar against the ringgit (-4.5% qoq) which caused ASPs in ringgit terms to be lower (-4.7% qoq). ASPs in US dollar terms also declined 0.2% qoq to about US$20.42/'000 pieces.

Key Financials

Year to 31 Mar (RMm)	2025	2026	2027F	2028F	2029F
Net turnover	2,585.6	2,135.4	3,134.2	3,258.3	3,403.6
EBITDA	53.2	281.0	364.7	356.4	382.8
Operating profit	(97.5)	117.3	193.2	183.7	206.9
Net profit (rep./act.)	(72.9)	84.3	147.0	138.5	154.7
Net profit (adj.)	(61.8)	72.0	147.0	138.5	154.7
EPS	(1.8)	2.1	4.3	4.1	4.6
PE	(50.4)	55.4	27.2	28.8	25.8
P/B	0.7	0.9	0.9	0.9	0.9
EV/EBITDA	41.2	10.2	7.9	7.5	6.7
Dividend yield	12.3	1.5	2.0	1.9	2.1
Net margin	(2.8)	4.0	4.7	4.2	4.6
Net debt/(cash) to equity	(21.3)	(25.7)	(25.1)	(29.1)	(31.0)
Interest cover	25.8	946.1	626.3	369.5	284.2
ROE	(2.2)	2.5	4.4	4.1	4.5
Consensus net profit	n.a	n.a	133.6	166.6	148.0
UOBKH/Consensus (x)	n.a	n.a	1.1	0.8	1.0

Source: Hartalega Holdings, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Consumer Discretionary
Bloomberg ticker	HART MK
Shares issued (m)	3,407.5
Market cap (RMm)	4,020.8
Market cap (US$m)	1,014.7
3-mth avg daily t'over (US$m)	3.0

Price Performance (%)

52-week high/low				RM2.20/RM0.80
1mth	3mth	6mth	1yr	YTD
(2.5)	38.0	0.0	(46.1)	19.2

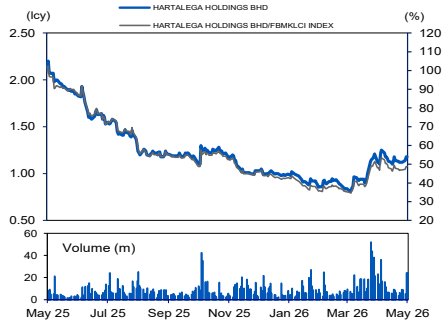
Major Shareholders %

Hartalega Industries Sdn Bhd	34.49
Budi Tenggara Sdn Bhd	8.66
KWAP	6.24

Balance Sheet Metrics

FY26 NAV/Share (RM)	1.29
FY26 Net Debt/Share (RM)	(0.32)

Price Chart



Source: Bloomberg

Company Description

Hartalega is the world's leading nitrile glove manufacturer.

- **Operating metrics mixed, but margins improved on further efficiency enhancement.** In 4QFY26, Harta charted a slightly higher utilisation rate of 72% (3QFY26: 70%) based on an adjusted capacity of around 35b. This mainly reflects better demand as US customers' normalised inventory replenishment offset intensifying competition within the Europe market. Nevertheless, earnings declined as continuous cost rationalisation and efficiency enhancement efforts lifted EBITDA margins to 17.7ppt (+4ppt qoq).

4QFY26 Operating Metrics

	4QFY26	qoq % chg	yoy % chg	Comments
Gloves (b pcs.)	6,336	2.7	4.0	Increased qoq on higher orderbook and demand
Utilisation rate (%)	69%	0.8	0.2	Better demand lifted utilisation rate
Blended ASP (US$)	20.4	-0.2	-9.5	ASPs decreased 0.2% qoq in US dollar terms
Exchange rate	3.97	-4.5	-10.8	US dollar weakened 4,5% qoq against ringgit
COG/ '000 gloves (RM)	76.0	-4.5	-23.1	Cost per unit reduced on lower input cost

Source: Hartalega Holdings, UOB Kay Hian

- **Potential tailwinds from Middle East conflict, but likely non-lasting.** To adequately offset accelerating input costs (raw material prices surging 15-20% averagely), Harta raised ASP to US$26-28/'000 pcs for 1QFY27 (Apr-Jun 26) shipments. The higher ASP also priced in some buffer to further mitigate production cost fluctuations in the near term. Coupled with management guidance of 5-10% qoq volume growth to 2.2-2.3b pieces/month, EBITDA margin could expand 1-2ppt in 1HFY27. Nevertheless, ASP and margin trends could reverse quickly if the ongoing Middle East conflict eases or global crude oil price normalises, given that the overall industry is still in an oversupply state with ample idle capacity. For 1QFY27, management also ensured raw material availability, well supported by diversified suppliers (from Korea, Malaysia, Thailand, Taiwan).
- **Stiff competition from China glovemakers remains as a structural threat.** Given the severity of the current US tariffs on China-made medical gloves (147% in 2026), China glovemakers have largely reduced their exposure to the US market and re-channelled their sales to regions like Europe and Asia with more competitive price-cutting strategies. This has resulted in more challenging dynamics and declining profitability (lower ASPs and margins) for non-US sales. Over a mid-long-term horizon, China glovemakers' further expansion in Indonesia and Vietnam likely continues to exert competitive pressures, indirectly capping the ASP trend and profitability for Malaysian glovemakers. This also results in a structural de-rating on valuations.
- **Automation efforts to achieve optimal efficiency and cost levels.** Harta previously set aside RM285m for 2026-27 to further automate its production lines to optimise overall efficiency. Hence, margins could marginally recover in FY27 off FY25's low base, coupled with an improvement in utilisation rate on better demand beginning 1QFY26 (Apr-Jun 26). The full commission of production lines at its Plant 9 which leverages automation and vision systems will also drive higher yields and lower labour costs. In FY27, management intends to restart and upgrade its Plant 3, lifting running capacity from current 27b pieces annually (after hibernating Plant 3 and 4) to 30b pieces by end-26.
- **Healthy balance sheet with RM1.1b net cash.** As of 4QFY26, Harta was in a net cash position of RM1.1b (around 27% of market cap). Alongside an improving earnings outlook and restoration of dividends payout, Harta is well-positioned to navigate through current challenges and further enhance its efficiency.

Valuation/Recommendation

- **Maintain HOLD with higher target price of RM1.02 (from RM0.92),** as we roll over our valuations to 2027. We are ascribing 25.0x 2027F PE (five-year mean) to our target price.

Earnings Revision/Risk

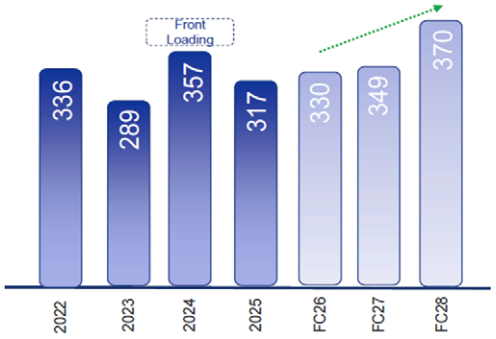
- **None.** We introduced FY29 earnings.

Assumptions

	FY26	FY27F	FY28F
Revenue (RMm)	2135	3134	3276
Growth yoy (%)	-17%	47%	5%
ASP growth yoy (%)	3%	16%	-6%
Volume growth (%)	4%	9%	11%
Profit (RMm)	84	147	152
Growth yoy (%)	226%	75%	3%
Profit margin (%)	4%	5%	5%

Source: UOB Kay Hian

Global Gloves Demand (b' pieces)

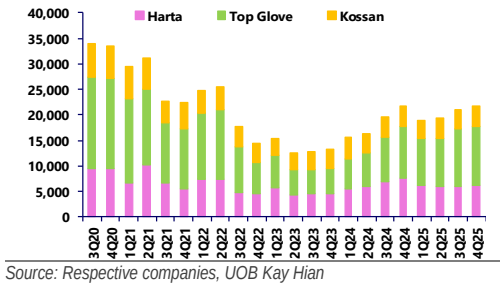


Source: Hartalega, International Trade Center (ITC)

Five-Year Forward PE Band

Source: Bloomberg

Malaysian Glove Players' Quarterly Sales Volume (m' pcs)



Source: Respective companies, UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

Environmental

- Committed to reducing its carbon footprint with reduction in greenhouse gas (GHG) emission intensity by 2026.

Social

- Social compliance policy is in accordance with local and international standards including the International Labour Organisation's (ILO) 11 indicators of Forced Labour.

Governance

- Five board members are independent directors, amounting to 63% of the board members.

Profit & Loss

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Net turnover	2,135	3,134	3,258	3,404
EBITDA	281	365	356	383
Deprec. & amort.	164	171	173	176
EBIT	117	193	184	207
Total other non-operating income	0	0	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	0	(1)	(1)	(1)
Pre-tax profit	117	193	183	205
Tax	(21)	(46)	(45)	(51)
Minorities	1	1	1	1
Net profit	97	147	138	155
Net profit (adj.)	84	147	138	155

Balance Sheet

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Fixed assets	2,610	2,443	2,444	2,433
Other LT assets	374	409	383	368
Cash/ST investment	1,144	1,141	1,345	1,460
Other current assets	768	1,009	1,045	1,083
Total assets	4,897	5,002	5,217	5,344
ST debt	0	0	0	0
Other current liabilities	288	318	463	511
LT debt	8	15	23	31
Other LT liabilities	184	184	184	184
Shareholders' equity	4,417	4,484	4,546	4,616
Minority interest	(1)	0	1	1
Total liabilities & equity	4,897	5,002	5,217	5,344

Cash Flow

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Operating	322	113	291	307
Pre-tax profit	117	193	183	205
Tax	(13)	(46)	(45)	(51)
Deprec. & amort.	164	171	173	176
Associates	0	0	0	0
Working capital changes	97	(206)	(21)	(24)
Non-cash items	(43)	0	0	0
Other operating cashflows	0	1	1	1
Investing	(86)	(35)	(18)	(114)
Capex (growth)	(3)	(35)	(18)	(114)
Proceeds from sale of assets	(122)	0	0	0
Others	40	0	0	0
Financing	(10)	(81)	(69)	(78)
Dividend payments	0	(80)	(76)	(85)
Proceeds from borrowings	4	0	8	8
Loan repayment	(3)	0	0	0
Others/interest paid	(11)	(1)	(1)	(1)
Net cash inflow (outflow)	226	(3)	204	115
Beginning cash & cash equivalent	923	1,144	1,141	1,345
Changes due to forex impact	(5)	0	0	0
Ending cash & cash equivalent	1,144	1,141	1,345	1,460

Key Metrics

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	13.2	11.6	10.9	11.2
Pre-tax margin	4.9	6.1	5.6	6.0
Net margin	4.0	4.7	4.2	4.6
ROA	2.1	3.7	3.4	3.7
ROE	2.5	4.4	4.1	4.5
Growth				
Turnover	(17.4)	46.8	4.0	4.5
EBITDA	40.0	29.8	(2.3)	7.4
Pre-tax profit	144.0	64.5	(5.2)	12.5
Net profit	226.4	74.8	(5.8)	11.8
EPS	226.4	74.8	(5.8)	11.8
Leverage				
Debt to total capital	0.2	0.3	0.5	0.7
Debt to equity	0.2	0.3	0.5	0.7
Net debt/(cash) to equity	(25.7)	(25.1)	(29.1)	(31.0)
Interest cover	946.1	626.3	369.5	284.2

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